

Message Text

UNCLASSIFIED

PAGE 01 WELLIN 04758 070413Z
ACTION EA-12

INFO OCT-01 ISO-00 L-03 TRSE-00 PC-05 CPR-02 SS-15
SP-02 AID-05 /045 W
-----128291 070809Z /23

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FM AMEMBASSY WELLINGTON
TO SECSTATE WASHDC 6185
INFO AMEMBASSY SUVA

UNCLAS WELLINGTON 04758

EO 11652: N/A
TAGS: EFIN, EAID, TN, US
SUBJECT: DOUBLE TAXATION OF U.S. CITIZENS RESIDENT IN
- TONGA

1. THE EMBASSY HAS RECEIVED THE FOLLOWING DIPLOMATIC
NOTE FROM THE GOVERNMENT OF TONGA (COURTESY OPENING
AND CLOSING OMITTED):

- "THE MINISTRY SHOULD BE GRATEFUL IF THE EMBASSY
- COULD ASCERTAIN WHETHER NATIONALS OF THE UNITED
- STATES OF AMERICA WHO WORK IN THE KINGDOM OF TONGA
- BUT ARE PAID SALARY OR REMUNERATION IN THE U.S.A.
- SHOULD NOT BE SUBJECTED TO DOUBLE TAXATION, I.E.
- TAXED IN THE UNITED STATES OF AMERICA AND ALSO IN
- TONGA."

2. THERE IS NO GENERALLY APPLICABLE U.S.-TONGAN TAX
TREATY. THE PEACE CORPS AGREEMENT WITH TONGA, HOWEVER,
EXEMPTS PC VOLUNTEERS FROM TAXATION OF THEIR LIVING
ALLOWANCES AND OF INCOME FROM SOURCES OUTSIDE TONGA
AND EXEMPTS PC STAFF FROM TAXES ON INCOME DERIVED FROM
THEIR PEACE CORPS WORK OR FROM SOURCES OUTSIDE OF TONGA
(19 UST 5486). FURTHERMORE, THOUGH NOT GOVERNMENT-
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TO-GOVERNMENT, TONGA'S PRELIMINARY AGREEMENT WITH
THE ASIA FOUNDATION, A POSSIBLE PRIVATE VOLUNTARY AGENCY
(PVO) GRANTEE UNDER OUR AID PROGRAM, EXEMPTS THE AF'S
AMERICAN STAFF, TECHNICAL EXPERTS, AND CONTRACT PERSON-
NEL FROM TAXES ON THEIR INCOMES. WE ASSUME THE
FOUNDATION FOR THE PEOPLES OF THE SOUTH PACIFIC HAS
A SIMILAR AGREEMENT, BUT WOULD APPRECIATE, IF POSSIBLE,

CONFIRMATION OF THIS. THE QUESTION OF TAXATION OF STAFF COULD AFFECT THE AMOUNT OF AID DELIVERED BY THE PVO'S AND, IN THE LONG TERM, THE COSTS OF THESE PROGRAMS TO THE USG.

3. IF PEACE CORPS AND PVO PERSONNEL ARE EXEMPT FROM LOCAL INCOME TAXATION, THE ONLY REMAINING SIZEABLE GROUP OF U.S. CITIZENS WORKING IN TONGA ARE MISSIONARIES AND STAFF AND TEACHERS OF MISSION SCHOOLS. FOR THE BENEFIT OF THE LATTER, THE DEPARTMENT MAY WISH TO TAKE THIS OPPORTUNITY TO PROPOSE NEGOTIATION OF A TAX TREATY.

4. ACTION REQUESTED: PLEASE ADVISE WHAT REPLY IS TO BE MADE TO THE GOVERNMENT OF TONGA.
SELDEN

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NNN

Message Attributes

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